

AMENDMENT IN THE NATURE OF A SUBSTITUTE
TO H.R. 4297
OFFERED BY MR. THOMAS OF CALIFORNIA

Strike all after the enacting clause and insert the following:

1 SECTION 1. SHORT TITLE, ETC.

2 (a) SHORT TITLE.—This Act may be cited as the
3 “Tax Relief Extension Reconciliation Act of 2005”.

4 (b) AMENDMENT OF 1986 CODE.—Except as other-
5 wise expressly provided, whenever in this Act an amend-
6 ment or repeal is expressed in terms of an amendment
7 to, or repeal of, a section or other provision, the reference
8 shall be considered to be made to a section or other provi-
9 sion of the Internal Revenue Code of 1986.

10 (c) TABLE OF CONTENTS.—The table of contents for
11 this Act is as follows:

Sec. 1. Short title, etc.

TITLE I—EXTENSIONS OF CERTAIN PROVISIONS THROUGH 2006

Sec. 101. Allowance of nonrefundable personal credits against regular and minimum tax liability.

Sec. 102. Tax incentives for business activities on Indian reservations.

Sec. 103. Work opportunity credit.

Sec. 104. Welfare-to-work credit.

Sec. 105. Deduction for corporate donations of computer technology and equipment.

Sec. 106. Availability of medical savings accounts.

Sec. 107. 15-year cost recovery for leasehold improvements.

Sec. 108. 15-year cost recovery for restaurant improvements.



- Sec. 109. Taxable income limit on percentage depletion for oil and natural gas produced from marginal properties.
Sec. 110. District of Columbia Enterprise Zone.
Sec. 111. Possession tax credit with respect to American Samoa.
Sec. 112. Parity in the application of certain limits to mental health benefits.

TITLE II—OTHER EXTENSIONS AND MODIFICATIONS

- Sec. 201. Expensing of environmental remediation costs.
Sec. 202. Controlled foreign corporations.
Sec. 203. Capital gains and dividends rates.

1 **TITLE I—EXTENSIONS OF CER-** 2 **TAIN PROVISIONS THROUGH** 3 **2006**

4 **SEC. 101. ALLOWANCE OF NONREFUNDABLE PERSONAL** 5 **CREDITS AGAINST REGULAR AND MINIMUM** 6 **TAX LIABILITY.**

7 (a) IN GENERAL.—Paragraph (2) of section 26(a)
8 (relating to special rule for taxable years 2000 through
9 2005) is amended—

10 (1) in the text by striking “or 2005” and in-
11 serting “2005, or 2006”, and

12 (2) in the heading by striking “2005” and in-
13 serting “2006”.

14 (b) CONFORMING PROVISIONS.—

15 (1) Subsection (i) of section 904 (relating to co-
16 ordination with nonrefundable personal credits) is
17 amended by striking “or 2005” and inserting “2005,
18 or 2006”.

19 (2) The amendments made by sections 201(b),
20 202(f), and 618(b) of the Economic Growth and Tax



1 Relief Reconciliation Act of 2001 shall not apply to
2 taxable years beginning during 2006.

3 (c) EFFECTIVE DATE.—The amendments made by
4 this section shall apply to taxable years beginning after
5 December 31, 2005.

6 **SEC. 102. TAX INCENTIVES FOR BUSINESS ACTIVITIES ON**
7 **INDIAN RESERVATIONS.**

8 (a) INDIAN EMPLOYMENT TAX CREDIT.—

9 (1) IN GENERAL.—Subsection (f) of section
10 45A (relating to termination) is amended by striking
11 “December 31, 2005” and inserting “December 31,
12 2006”.

13 (2) EFFECTIVE DATE.—The amendment made
14 by paragraph (1) shall apply to taxable years begin-
15 ning after December 31, 2005.

16 (b) ACCELERATED DEPRECIATION FOR BUSINESS
17 PROPERTY ON INDIAN RESERVATIONS.—

18 (1) IN GENERAL.—Paragraph (8) of section
19 168(j) (relating to termination) is amended by strik-
20 ing “December 31, 2005” and inserting “December
21 31, 2006”.

22 (2) EFFECTIVE DATE.—The amendment made
23 by paragraph (1) shall apply with respect to prop-
24 erty placed in service after December 31, 2005.



1 **SEC. 103. WORK OPPORTUNITY CREDIT.**

2 (a) IN GENERAL.—Subparagraph (B) of section
3 51(c)(4) (relating to termination) is amended by striking
4 “December 31, 2005” and inserting “December 31,
5 2006”.

6 (b) INCREASE IN AGE LIMIT FOR FOOD STAMP RE-
7 CIPIENTS.—Clause (i) of section 51(d)(8)(A) (relating to
8 qualified food stamp recipient) is amended by striking
9 “25” and inserting “35”.

10 (c) EFFECTIVE DATE.—The amendments made by
11 this section shall apply to individuals who begin work for
12 the employer after December 31, 2005.

13 **SEC. 104. WELFARE-TO-WORK CREDIT.**

14 (a) IN GENERAL.—Subsection (f) of section 51A (re-
15 lating to termination) is amended by striking “December
16 31, 2005” and inserting “December 31, 2006”.

17 (b) EFFECTIVE DATE.—The amendment made by
18 subsection (a) shall apply to individuals who begin work
19 for the employer after December 31, 2005.

20 **SEC. 105. DEDUCTION FOR CORPORATE DONATIONS OF**
21 **COMPUTER TECHNOLOGY AND EQUIPMENT.**

22 (a) IN GENERAL.—Subparagraph (G) of section
23 170(e)(6) (relating to termination) is amended by striking
24 “December 31, 2005” and inserting “December 31,
25 2006”.



1 (b) EFFECTIVE DATE.—The amendment made by
2 subsection (a) shall apply to contributions made in taxable
3 years beginning after December 31, 2005.

4 **SEC. 106. AVAILABILITY OF MEDICAL SAVINGS ACCOUNTS.**

5 (a) IN GENERAL.—Paragraphs (2) and (3)(B) of sec-
6 tion 220(i) (defining cut-off year) are each amended by
7 striking “2005” each place it appears in the text and
8 headings and inserting “2006”.

9 (b) CONFORMING AMENDMENTS.—

10 (1) Paragraph (2) of section 220(j) is
11 amended—

12 (A) in the text by striking “or 2004” each
13 place it appears and inserting “2004, or 2005”,
14 and

15 (B) in the heading by striking “OR 2004”
16 and inserting “2004, OR 2005”.

17 (2) Subparagraph (A) of section 220(j)(4) is
18 amended by striking “and 2004” and inserting
19 “2004, and 2005”.

20 (c) EFFECTIVE DATE.—The amendments made by
21 this section shall take effect on the date of the enactment
22 of this Act.

23 (d) TIME FOR FILING REPORTS, ETC.—

24 (1) The report required by section 220(j)(4) of
25 the Internal Revenue Code of 1986 to be made on



1 August 1, 2005, shall be treated as timely if made
2 before the close of the 90-day period beginning on
3 the date of the enactment of this Act.

4 (2) The determination and publication required
5 by section 220(j)(5) of such Code with respect to
6 calendar year 2005 shall be treated as timely if
7 made before the close of the 120-day period begin-
8 ning on the date of the enactment of this Act. If the
9 determination under the preceding sentence is that
10 2005 is a cut-off year under section 220(i) of such
11 Code, the cut-off date under such section 220(i)
12 shall be the last day of such 120-day period.

13 **SEC. 107. 15-YEAR COST RECOVERY FOR LEASEHOLD IM-**
14 **PROVEMENTS.**

15 (a) IN GENERAL.—Clause (iv) of section
16 168(e)(3)(E) (relating to 15-year property) is amended by
17 striking “January 1, 2006” and inserting “January 1,
18 2007”.

19 (b) EFFECTIVE DATE.—The amendment made by
20 subsection (a) shall apply to property placed in service
21 after December 31, 2005.



1 **SEC. 108. 15-YEAR COST RECOVERY FOR RESTAURANT IM-**
2 **PROVEMENTS.**

3 (a) IN GENERAL.—Clause (v) of section 168(e)(3)(E)
4 (relating to 15-year property) is amended by striking
5 “January 1, 2006” and inserting “January 1, 2007”.

6 (b) EFFECTIVE DATE.—The amendment made by
7 subsection (a) shall apply to property placed in service
8 after December 31, 2005.

9 **SEC. 109. TAXABLE INCOME LIMIT ON PERCENTAGE DEPLE-**
10 **TION FOR OIL AND NATURAL GAS PRODUCED**
11 **FROM MARGINAL PROPERTIES.**

12 (a) IN GENERAL.—Subparagraph (H) of section
13 613A(c)(6) (relating to oil and natural gas produced from
14 marginal properties) is amended by striking “January 1,
15 2006” and inserting “January 1, 2007”.

16 (b) EFFECTIVE DATE.—The amendment made by
17 subsection (a) shall apply to taxable years beginning after
18 December 31, 2005.

19 **SEC. 110. DISTRICT OF COLUMBIA ENTERPRISE ZONE.**

20 (a) PERIOD FOR WHICH DESIGNATION APPLICA-
21 BLE.—Subsection (f) of section 1400 (relating to time for
22 which designation applicable) is amended by striking “De-
23 cember 31, 2005” both places it appears and inserting
24 “December 31, 2006”.

25 (b) TAX-EXEMPT ECONOMIC DEVELOPMENT
26 BONDS.—Subsection (b) of section 1400A (relating to pe-



1 riod of applicability) is amended by striking “December
2 31, 2005” and inserting “December 31, 2006”.

3 (c) ZERO PERCENT CAPITAL GAINS RATE.—

4 (1) IN GENERAL.—Subsection (b) of section
5 1400B (relating to DC Zone Asset) is amended by
6 striking “January 1, 2006” each place it appears
7 and inserting “January 1, 2007”.

8 (2) CONFORMING AMENDMENTS.—

9 (A) Paragraph (2) of section 1400B(e) (re-
10 lating to gain before 1998 and after 2010 not
11 qualified) is amended—

12 (i) by striking “December 31, 2010”
13 and inserting “December 31, 2011”, and

14 (ii) by striking “2010” in the heading
15 and inserting “2011”.

16 (B) Paragraph (2) of section 1400B(g)
17 (relating to sales and exchanges of interests in
18 partnerships and S corporations which are DC
19 Zone businesses) is amended by striking “De-
20 cember 31, 2010” and inserting “December 31,
21 2011”.

22 (C) Subsection (d) of section 1400F (relat-
23 ing to certain rules to apply) is amended by
24 striking “December 31, 2010” and inserting
25 “December 31, 2011”.



1 (d) FIRST-TIME HOMEBUYER CREDIT FOR DISTRICT
2 OF COLUMBIA.—Subsection (i) of section 1400C (relating
3 to application of section) is amended by striking “January
4 1, 2006” and inserting “January 1, 2007”.

5 (e) EFFECTIVE DATES.—

6 (1) IN GENERAL.—Except as provided in para-
7 graph (2), the amendments made by this section
8 shall take effect on January 1, 2006.

9 (2) TAX-EXEMPT ECONOMIC DEVELOPMENT
10 BONDS.—The amendment made by subsection (b)
11 shall apply to obligations issued after the date of the
12 enactment of this Act.

13 **SEC. 111. POSSESSION TAX CREDIT WITH RESPECT TO**
14 **AMERICAN SAMOA.**

15 (a) IN GENERAL.—Subparagraph (A) of section
16 936(j)(8) (relating to special rules for certain possessions)
17 is amended by inserting before the period at the end the
18 following: “(before January 1, 2007, in the case of Amer-
19 ican Samoa)”.

20 (b) EFFECTIVE DATE.—The amendment made by
21 subsection (a) shall apply to taxable years beginning after
22 December 31, 2005.



1 **SEC. 112. PARITY IN THE APPLICATION OF CERTAIN LIMITS**
2 **TO MENTAL HEALTH BENEFITS.**

3 (a) IN GENERAL.—Paragraph (3) of section 9812(f)
4 (relating to application of section) is amended by striking
5 “December 31, 2005” and inserting “December 31,
6 2006”.

7 (b) EFFECTIVE DATES.—The amendment made by
8 subsection (a) shall take effect on the date of the enact-
9 ment of this Act.

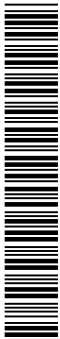
10 **TITLE II—OTHER EXTENSIONS**
11 **AND MODIFICATIONS**

12 **SEC. 201. EXPENSING OF ENVIRONMENTAL REMEDIATION**
13 **COSTS.**

14 (a) EXTENSION OF TERMINATION DATE.—Sub-
15 section (h) of section 198 (relating to termination) is
16 amended by striking “December 31, 2005” and inserting
17 “December 31, 2007”.

18 (b) PETROLEUM PRODUCTS TREATED AS HAZ-
19 ARDOUS SUBSTANCE.—Paragraph (1) of section 198(d)
20 (relating to hazardous substance) is amended by striking
21 “and” at the end of subparagraph (A), by striking the
22 period at the end of subparagraph (B) and inserting “,
23 and”, and by adding at the end the following new subpara-
24 graph:

25 “(C) any petroleum product (as defined in
26 section 4612(a)(3)).”.



1 (c) EFFECTIVE DATE.—The amendments made by
2 this section shall apply to expenditures paid or incurred
3 after December 31, 2005.

4 **SEC. 202. CONTROLLED FOREIGN CORPORATIONS.**

5 (a) SUBPART F EXCEPTION FOR ACTIVE FINANC-
6 ING.—

7 (1) EXEMPT INSURANCE INCOME.—Paragraph
8 (10) of section 953(e) (relating to application) is
9 amended—

10 (A) by striking “January 1, 2007” and in-
11 serting “January 1, 2009”, and

12 (B) by striking “December 31, 2006” and
13 inserting “December 31, 2008”.

14 (2) EXCEPTION TO TREATMENT AS FOREIGN
15 PERSONAL HOLDING COMPANY INCOME.—Paragraph
16 (9) of section 954(h) (relating to application) is
17 amended by striking “January 1, 2007” and insert-
18 ing “January 1, 2009”.

19 (b) LOOK-THROUGH TREATMENT OF PAYMENTS BE-
20 TWEEN RELATED CONTROLLED FOREIGN CORPORATIONS
21 UNDER THE FOREIGN PERSONAL HOLDING COMPANY
22 RULES.—Subsection (c) of section 954 (relating to foreign
23 personal holding company income) is amended by adding
24 at the end the following new paragraph:



1 “(6) LOOK-THRU RULE FOR RELATED CON-
2 TROLLED FOREIGN CORPORATIONS.—

3 “(A) IN GENERAL.—For purposes of this
4 subsection, dividends, interest, rents, and royal-
5 ties received or accrued from a controlled for-
6 eign corporation which is a related person shall
7 not be treated as foreign personal holding com-
8 pany income to the extent attributable or prop-
9 erly allocable (determined under rules similar to
10 the rules of subparagraphs (C) and (D) of sec-
11 tion 904(d)(3)) to income of the related person
12 which is not subpart F income. For purposes of
13 this subparagraph, interest shall include fac-
14 toring income which is treated as income equiv-
15 alent to interest for purposes of paragraph
16 (1)(E). The Secretary shall prescribe such regu-
17 lations as may be appropriate to prevent the
18 abuse of the purposes of this paragraph.

19 “(B) APPLICATION.—Subparagraph (A)
20 shall apply to taxable years of foreign corpora-
21 tions beginning after December 31, 2005, and
22 before January 1, 2009, and to taxable years of
23 United States shareholders with or within which
24 such taxable years of foreign corporations
25 end.”.



1 **SEC. 203. CAPITAL GAINS AND DIVIDENDS RATES.**

2 Section 303 of the Jobs and Growth Tax Relief Rec-
3 conciliation Act of 2003 is amended by striking “December
4 31, 2008” and inserting “December 31, 2010”.

